

Message Text

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PAGE 01 MADRID 01494 061418Z

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ACTION EUR-25

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INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DRC-01 PA-04 PRS-01

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TAGS: ENRG, SP

SUBJ: ENERGY-PETROLEUM PRODUCTS PRICES INCREASED;

ELECTRIC POWER RATES UP ALSO; ENERGY MEASURES

PLANNED; FISHING SECTOR STRIKE PROTESTS 242

PERCENT FUEL COST INCREASES

REF: MADRID 1393

1. EFFECTIVE MARCH 2 A WIDE RANGE OF PETROLEUM PRODUCTS HAD THEIR PRICES INCREASED SUBSTANTIALLY BY A DECISION OF THE GOS COUNCIL OF MINISTERS. GASOLINE (96 OCTANE) WAS INCREASED IN PRICE BY 17.5 PERCENT TO 20 PESETAS PER LITER. IN JANUARY THE SAME PRODUCT HAD ITS PRICE INCREASED FROM 13.50 PESETAS TO 17 PESETAS PER LITER. THE COMBINED JANUARY AND FEBRUARY INCREASES REPRESENT A 48 PERCENT PRICE JUMP. DIESEL FUEL WAS INCREASED, DEPENDING ON ITS END USE, FROM 42 TO 242 PERCENT. THE HIGHER FIGURE IS UNCLASSIFIED

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PAGE 02 MADRID 01494 061418Z

FOR MARINE AND FISHING INDUSTRY CONSUMERS. AGRICULTURAL

USERS WILL HAVE TO PAY 71 PERCENT MORE AND THE SPANISH NAVY WILL HAVE AN 189 PERCENT PRICE INCREASE FOR THEIR DIESEL FUEL. FUEL OIL FOR HEATING AND DOMESTIC USE WENT UP 48 PERCENT WHEREAS FOR INDUSTRIAL USE, THE PRICE INCREASE IS 94 PERCENT. THERMAL POWER PLANTS WILL HAVE TO PAY 71 PERCENT MORE FOR THEIR FUEL OIL AND RAILWAYS 237 PERCENT ADDITIONAL.

2. THE GOVERNMENT SAID THESE MEASURES WERE NECESSARY IN ORDER TO COVER "IN PART" THE ADDITIONAL \$2.1 BILLION COST OF PETROLEUM IMPORTS IN 1974. CAMPSA, THE STATE MONOPOLY WHICH MARKETS PETROLEUM PRODUCTS IN SPAIN, WILL NOT ONLY FOREGO A PROFIT MARGIN THIS YEAR, BUT WILL RECEIVE A SUBSIDY AMOUNTING TO 30 BILLION PESETAS (\$500 MILLION) FROM THE BANK OF SPAIN IN ORDER TO MAINTAIN ITS SALE PRICES AT THE LEVELS STATED.

3. AS A CONSEQUENCE OF THE NEW FUEL OIL PRICES A DECREE WAS ISSUED WHICH PERMITS ELECTRIC POWER RATES TO BE INCREASED BY 15.85 PERCENT EFFECTIVE APRIL 1.

4. THE GOVERNMENT ALSO ANNOUNCED CERTAIN MEASURES THAT IT PLANS TO TAKE IN ORDER TO DEAL WITH THE ENERGY SITUATION.

A. THE GOVERNMENT WILL APPROVE NEW PETROLEUM EXPLORATION PLANS FOR WITHIN SPAIN AS WELL AS ABROAD.

B. THE NATIONAL MERCHANT MARINE TANKER FLEET WILL BE ENLARGED.

C. HYDROELECTRIC FACILITIES WILL BE EXPANDED.

D. THE DOMESTIC COAL PRODUCTION WILL BE INCREASED AS WELL AS THE THERMAL FACILITIES WHICH UTILIZE COAL.

E. NATURAL GAS USE WILL BE EXPANDED.

F. NUCLEAR POWER GENERATING FACILITIES WILL BE FURTHER DEVELOPED.

G. AND VERY IMPORTANTLY, IT WAS ANNOUNCED THAT ON THE FIRST OF APRIL THE GOVERNMENT WILL PRESENT A REORGANIZATION PLAN OF STATE AND PUBLIC ENTITIES IN THE PETROLEUM SECTOR AS WELL AS A NEW SYSTEM FOR THE PURCHASE OF CRUDE OIL. UNDOUBTEDLY THESE PLANS WILL INVOLVE CAMPSA AS WELL AS HISPANOIL, AN INI COMPANY. IT MAY ALSO UNCLASSIFIED

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PAGE 03 MADRID 01494 061418Z

AFFECT SOME OF THE REFINING OPERATIONS IN WHICH THE STATE HAS AN INTEREST THROUGH INI.

5. OTHER MEASURES ANNOUNCED WERE THE ELECTRIFICATION OF AN ADDITIONAL 2500 KMS OF THE NATIONAL RAILWAY SYSTEM, RENFE. IN THIS CONNECTION IT WAS MENTIONED THAT RENFE IS GOING TO ATTEMPT TO RAISE \$300 MILLION IN THE INTERNATIONAL MARKET TO FINANCE THIS ELECTRIFICATION PROGRAM.

6. ONE OF THE IMMEDIATE CONSEQUENCES OF THE FUEL PRICE
RISE WAS A REPORTEDLY FAIRLY GENERALIZED STRIKE AMONG THE
MEMBERS OF THE FISHING SECTOR. THIS WAS MOTIVATED BY THE
FACT FISHING OPERATORS WILL NOW HAVE TO PAY 6.50
PESETAS INSTEAD OF 9.90 PESETAS PER LITER OF FUEL.
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